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BEFORE THE ARIZONA CORPORATION COMI

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Arizona Corporation Commission

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IN THE MATTER OF THE APPLICATION OF
TUCSON ELECTRIC POWER COMPANY
FOR (1) APPROVAL OF NET METERING
COST SHIFT SOLUTION AND (2) PARTIAL
WAIVER OF THE NET METERING RULES

Docket No. E-01933A-15-0100

**RUCO'S REPLY BRIEF ON INTERIM NET METERING SOLUTION AND RESPONSE TO
STAFF AND ARISEIA'S MOTION TO DISMISS**

The Residential Utility Consumer Office ("RUCO") submits the following Reply Brief with additional comments on the issue of whether or not it would be legal to 1) decide Tucson Electric Power's ("TEP" or Company) Application outside of a rate case and if so 2) whether it would be appropriate to decide TEP's Application outside of a rate case under the circumstances of this case. Also, RUCO will respond to Staff and ARISEIA's Motions to Dismiss.

TASC, Staff, ARISEIA and Vote Solar ("parties")¹ are correct that TEP could have raised this issue in its last rate case - but it did not. That does not make the net metering issue any less relevant now. In addition, the Settlement Agreement that is referenced, among other things, contained provisions which were designed to give the Commission the maximum

¹ RUCO's subsequent use of the term "parties" may not include all of the parties on any given point.

1 amount of flexibility in designing and implementing changes to DG policy. Paragraph 8.2 of the
2 Settlement was designed for "preserving maximum flexibility for the Commission to adjust EE
3 and DG requirements, either upward or downward, as the Commission may deem appropriate
4 as a matter of policy. Nothing in this Agreement is intended to bind the Commission to any
5 specific EE or DG policy or standard." Furthermore, nowhere in the Settlement are there terms
6 that specify the LFCR as the only mechanism at the Commission's disposal to address net
7 metering issues. In fact, from RUCO's review, the Settlement makes it clear that the
8 Commission is not bound to only the LFCR in addressing net metering.

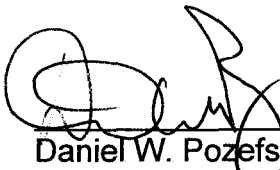
9 But, as RUCO pointed out in its Opening Brief, if the Commission believes that the
10 amount of the cost shift is too large for any meaningful interim solution to mitigate or would be
11 illegal to modify outside of a rate case in the manner TEP proposes, then the Commission
12 could consider adjusting the Company's Lost Fixed Cost Recovery Mechanism ("LFCR"). The
13 Commission's action would be consistent with the flexibility that it has under paragraph 8.2 of
14 the Settlement and Plan of Administration approved in TEP's last rate case. Decision No.
15 73912.

16 The parties' argument regarding the revenue requirement is well taken. The parties
17 raise the question of whether TEP's proposal is symmetrical and revenue neutral and if so
18 exactly how. Unlike the current APS proposal, it is unclear in TEP's proposal if the cost shift
19 will be addressed through an adjuster, like the LFCR, which would negate this issue. RUCO's
20 priority here is to move towards addressing a cost shift in a meaningful manner at an
21 appropriate time. RUCO would oppose TEP's request if the proposal is simply a mechanism to
22 raise the Company's revenues by ultimately collecting more revenue from the Company's solar
23 customers. RUCO is under the assumption that the quid pro quo is a corresponding reduction
24 in the non-solar customer's fixed costs – which would be symmetrical and revenue neutral to

1 the Company. If ultimately the Commission were to determine that the Company will be raising
2 revenues, and increasing its rate base and/or rate of return beyond what is authorized then
3 RUCO would admit that there is a legal concern. But the Company indicates otherwise, and
4 the only way to get to the bottom of this would be in a hearing. If the Commission were to
5 determine in a hearing that the Company's request is not legal, the Commission could simply
6 dismiss it at that point.

7 RUCO believes, and has previously stated, that the best place for a long-term solution
8 on this issue is in a rate case. There is no question that a full vetting of the issues with all of
9 the stakeholders is necessary to reach anything more than an interim solution. RUCO would
10 not object should the Commission determine that the matter is best dealt with in a rate case.
11 However, RUCO does not feel there are legal limitations to hearing the issue of net metering
12 now. Furthermore, RUCO would recommend, for all of the reasons stated in its Opening Brief,
13 that the Commission should address the cost shift prior to the Company's next rate case and
14 hear TEP's Application now.

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16 RESPECTFULLY SUBMITTED this 29th day of May, 2015.

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19 Daniel W. Pozefsky
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